

PUBLIC DISCLOSURE

October 9, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LAWRENCE TEACHERS' CREDIT UNION

599 CANAL STREET
LAWRENCE, MA. 01840

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of LAWRENCE TEACHERS' CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory "

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its membership, including low- and moderate-income borrowers, in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for institutions whose membership is based upon affiliation, rather than geography: 1) Average Loan to Deposit (Share) Ratio; 2) Distribution of Credit Among Different Income Levels and; 3) Fair Lending Policies and Practices. Two geographical criteria were not considered since the institution defines its assessment area as its membership rather than by location.

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 47.5 percent and meets the standards for satisfactory performance at this time.

Analysis of the credit union's lending activity by borrower income revealed that 26.6 percent of real estate related loans and 57.4 percent a sample of consumer loans was granted to low- and moderate-income members. A rating of "meets satisfactory performance" was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were considered.

PERFORMANCE CONTEXT

Description of Institution

Lawrence Teachers' Credit Union is a state-chartered credit union, which was incorporated in Lawrence Massachusetts on March 30, 1934. The credit union was established to serve the credit needs of the employees of the Lawrence School Department. The credit union's sole office is located at 599 Canal Street, Lawrence, Massachusetts. The office is located within the Lorenzo Building in Lawrence. Office hours are from 2:30AM to 4:00PM Monday through Friday when school is in session; and 9:00AM to 11:00AM Monday through Friday during school vacation.

As of June 30, 2002, the institution's total assets were \$5.1 million with total loans representing \$2.2 million or 42.4 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 2002, Statement of Financial Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	AMOUNT	%
New Vehicles	\$1,022,724	47.0
Used Vehicles	\$393,190	18.1
Equity Loans	\$360,843	16.6
Personal Loans	\$328,027	15.1
Share Secured Loans	\$70,660	3.2
TOTALS	\$2,175,444	100.0

New and used vehicle loans comprise 65.1 percent of the entire loan portfolio, while equity loans and personal loans represent 16.6 percent and 15.1 percent, respectively of the loan portfolio. Share secured loans make up the remainder of the portfolio representing 3.2 percent of the dollar volume of loans outstanding.

Given its asset size and financial capacity, Lawrence Teachers' Credit Union has been successful in helping to meet the credit needs of its membership.

The Division of Banks last conducted a CRA examination on December 9, 1998. The credit union received an overall CRA rating of "Satisfactory" at that time.

Description of Assessment Area

In accordance with the requirements of 209 CMR, section 46.41, the credit union defines its membership as its assessment area. According to the credit union's bylaws, membership "...is limited to those professional, custodial, clerical and cafeteria workers who are regular and pensioned employees of the school department of the City of Lawrence, except that persons not so eligible to membership may have joint accounts with

members of the credit union for the purpose of deposit and withdrawal only. Current members are not excluded.”

As of June 30, 2002, the credit union’s membership totaled approximately 849 out of a potential total of 1,500 individuals. The credit union’s loan data indicates that the most popular type of credit is new vehicle loans. A review of loan data for June 30, 2002, indicated that the loan portfolio was comprised of 102 new vehicle loans.

PERFORMANCE CRITERIA

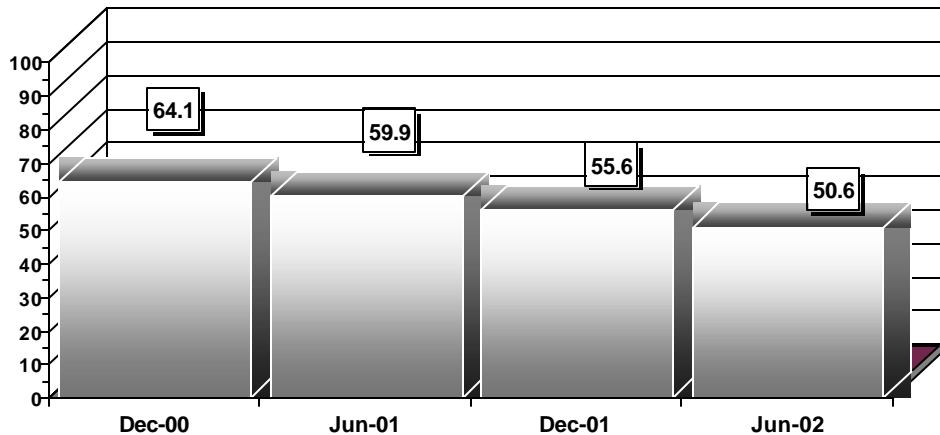
1. LOAN TO DEPOSIT (SHARE) ANALYSIS

Based upon the credit union’s asset size, its capacity to lend, and the credit needs of the membership, the analysis of Lawrence Teachers’ Credit Union’s net loan-to-share ratio indicates that the standards of satisfactory performance have been met.

This analysis considered net loans to total share figures from the institution’s NCUA Call Report of Condition for four semi-annual periods. The periods reviewed covered December 31, 2000 to June 30, 2002.

An analysis of Lawrence Teachers’ Credit Union’s net loan-to-share (LTS) ratio was performed using NCUA semi-annual call report data for the period December 31, 2000, through June 30, 2002. The analysis was conducted to determine the extent of the credit union’s lending compared to deposits received from its membership. The average net loan-to-share ratio for the period reviewed was 57.6 percent. As illustrated below the loan-to-share ratio steadily declined during this period

LAWRENCE TEACHERS' CREDIT UNION
NET LOAN-TO-SHARE RATIOS
December 2000 - June 2002



Lawrence Teachers' Credit Union has been active as a consumer lender, originating 167 loans totaling \$1.6 million in 2000, 123 loans totaling \$1.1 million in 2001 and 84 loans totaling \$779,000 as of year-to-date 2002. However, It is noted that the credit union's lending volume decreased 5.2 percent between June 30, 2000, and June 30, 2002. Management stated that the decreasing trend is attributable to the competitive interest rates that are available at larger financial institutions and automobile dealerships. Also, management stated that a substantial number of members are saving more, which in turn has resulted in a 4.2 percent increase in total deposits during the same period. The majority of consumer loan increases were the result of more credit demand for new and used automobiles. The Division also compared the credit union's loan-to-share ratio to that of other institutions of similar asset size. The latest data available for comparison was derived from NCUA Call Report figures for the period ending June 30, 2002. As the following table indicates Lawrence Teachers' Credit Union's ratio of 50.6 percent is reasonably comparable to other institutions of similar size and type.

COMPARATIVE LOAN TO SHARE RATIOS			
	Net Loan-to Share Ratio	Shares	Assets
Braintree Educators and Municipal Employees CU	59.2%	\$4,571,375	\$5,141,094
North Shore Manufacturers CU	53.8%	\$4,716,694	\$5,164,564
Lawrence Teachers' Credit Union	50.6%	\$4,274,629	\$5,128,118
Medford Municipal Employees CU	43.4%	\$4635,942	\$5,702,496

In summary, Lawrence Teachers Credit Union's net loan-to-share ratio appears to be adequate given the credit union's scope of operation. Based on the above information and Lawrence Teachers' Credit Union's capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the credit union's loan-to-deposit (share) ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

According to the Massachusetts CRA regulation, 209 CMR 46.41, a credit union whose membership is not based on residence, such as Lawrence Teachers' Credit Union, may define its assessment area as its membership. Since Lawrence Teachers Credit Union has elected to identify its assessment area in this manner, no evaluation of geographic-based performance factors was conducted.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This performance criterion evaluates the extent to which the institution lends to members of different income levels, particularly members of low- and moderate- income. Both consumer loans and real estate- related lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to be reasonable and to meet standards for a satisfactory performance.

The distribution of consumer personal loans and real estate related loans were reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the member resides, or in which the property is located. Borrower income is classified according to four income levels. The income levels include low-income; moderate-income; middle-income; and upper-income. According to HUD low-income is defined as income below 50 percent of the median family income level for the MSA; moderate-income is defined as income between 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income at or greater than 120 percent of the median family income.

The majority of members reside within the Lawrence, MA Metropolitan Statistical Area (MSA). The Lawrence, MA MSA Median Family Household Income (FHI) for 2000 was \$60,800, 2001 was \$64,100 and 2002 was \$67,400.

REAL ESTATE RELATED LENDING

This section reflects the distribution of the credit union's real estate related loan originations by member's income levels. Lawrence Teachers' Credit Union granted 4 equity loans totaling \$107,000 in 2000, 6 equity loans totaling \$152,000 in 2001 and 5 equity loans totaling \$113,000 in Y-T-D 2002.

The information included in the table below indicates that, by number, 13.3 percent of the loans were to low- and moderate-income borrowers, respectively. The remaining loans representing 73.4 percent were to middle- and upper-income borrowers.

REAL ESTATE RELATED LOANS BY NUMBER								
% OF MEDIAN INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
LOW	1	25.0	0	0.0	1	20.0	2	13.3
MODERATE	0	0.0	1	16.7	1	20.0	2	13.3
MIDDLE	1	25.0	0	0.0	0	0.0	1	6.7
UPPER	2	50.0	5	83.3	3	60.0	10	66.7
TOTAL	4	100.0	6	100.0	5	100.0	15	100.0

Source: In-House files

The information included in the table below indicates that, by dollar amount, 10.8 percent of the real estate loans were made to low-income members and 8.0 percent of real estate loans were to moderate-income members. The remaining loans representing 81.2 percent were to middle- and upper-income members.

REAL ESTATE RELATED LOANS BY NUMBER								
% OF MEDIAN INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
LOW	20	18.7	0	0.0	20	17.7	40	10.8
MODERATE	0	0.0	12	7.9	18	15.9	30	8.0
MIDDLE	35	32.7	0	0.0	0	0.0	35	9.4
UPPER	52	48.6	140	92.1	75	66.4	267	71.8
TOTAL	107	100.0	152	100.0	113	100.0	372	100.0

Source: In-House Files

The distribution of real estate related loans among members of different income levels (as shown in the above tables) indicates that upper-income borrowers received the majority

(64.2 percent by number and 71.8 percent by dollars) of these loans. Low-income borrowers received the second largest portion (13.3 percent by number and 10.8 percent by dollar). Moderate-income borrowers followed (13.3 percent by number and 8.0 percent by dollar amount.) Middle-income members received the smallest portion (7.2 percent by number of loans and 9.4 percent by dollar amount).

CONSUMER LENDING

Consumer loans granted in 2000, 2001 and Y-T-D 2002 were also sampled and reviewed for borrower income levels. The following table provides a breakdown of a sample of 61 consumer loans originated among the credit union's membership by applicant income level. This analysis indicates that 11.4 percent was granted to low-income members and 45.9 percent was granted to moderate-income members.

CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER (Number)								
% OF MEDIAN INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
LOW	2	10.0	1	4.8	4	20.0	7	11.4
MODERATE	7	35.0	9	42.8	12	60.0	28	45.9
MIDDLE	6	30.0	6	28.6	2	10.0	14	23.0
UPPER	5	25.0	5	23.8	2	10.0	12	19.7
TOTAL	20	100.0	21	100.0	20	100.0	61	100.0

Source: in-house files

The information included in the table below indicates that, by dollar amount, 7.2 percent of the consumer loans were to low-income members and 41.0 percent were to moderate-income members.

CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Amount)								
% OF MEDIAN INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
LOW	7	3.0	23	9.9	10	11.5	40	7.2
MODERATE	83	34.9	86	36.9	60	69.0	229	41.0
MIDDLE	63	26.4	62	26.6	7	8.0	132	23.7
UPPER	85	35.7	62	26.6	10	11.5	157	28.1
TOTAL	238	100.0	233	100.0	87	100.0	558	100.0

Source: in-house files

The credit union's consumer lending is well dispersed through all categories of member income level. Moderate-income members received the largest segment (45.9 percent by number and 41.0 percent by dollar amount), while low-income members received the smallest percentage (11.4 percent by number and 7.2 percent by dollar amount) of the consumer loans granted. Loans granted to middle and upper-income members represented 42.7 percent by number of loans granted and 51.8 percent by dollar of loans granted.

It should be noted that the majority of consumer loans are granted to single applicants. however, the above comparison has been made to median family income. This has the effect of increasing the distribution within the low and moderate-income categories.

In conclusion, the credit union's distribution of real estate related loans and consumer loans by borrower income levels demonstrates a reasonable distribution overall and a good distribution among moderate-income members. This distribution is further reasonable given the income levels of the majority of the membership. Consequently, the credit union meets the standards for satisfactory performance under this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned above, since the credit union identifies its membership as its assessment area, no evaluation of geographic performance factors was conducted.

FAIR LENDING POLICIES AND PRACTICES

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy, Regulatory Bulletin 2.3-101. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The credit union has developed a second review process in which all loans considered for denial are referred to a Credit Union Representative who is not directly involved in the applicant's application process, prior to issuing a notice of denial.

The credit union's marketing activity includes placing information on its credit products and services on bulletin boards located in the various schools and offices within the Lawrence School Department. Lobby brochures are also provided in its main office. The credit union also includes statement stuffers in correspondence sent out to the membership.

Due to the credit union's industrial nature and lack of demographic information concerning race, a minority application flow analysis was not completed.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

LAWRENCE TEACHERS' CREDIT UNIION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 9, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.